

Hearing before the
United States Senate
Committee on Finance
April 25, 2001

Mr. Chairman and Members of the Committee:

Thank you for asking me to appear before you today to discuss the findings of audits that have been conducted by the Social Security Administration's (SSA) Office of the Inspector General (IG). Today, I want to briefly discuss the efforts the agency is undertaking to strengthen and maintain the integrity of the Old Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs in the areas addressed by these audits. But first I would like to describe the scope and magnitude of our Agency's activities as administrator of the Social Security program.

Importance of Social Security and SSI

SSA paid almost \$430 billion to 52 million OASDI and SSI beneficiaries last year. Each workday about 100,000 people visit our 1,300 field offices and over 240,000 people call our 800 number telephone service. Each workday we process an average of 20,000 initial claims. Every year we correctly credit over 250 million earnings items to workers' accounts, respond to 60 million telephone calls, and process about 6.6 million Social Security and SSI claims for benefits.

The public's trust in Social Security programs is absolutely critical. Because of the importance of program integrity, \$1 out of every \$4 in SSA's administrative budget is dedicated to program stewardship and program integrity. We must remain vigilant if we are to fulfill our role as stewards of the public trust.

Fugitive Felons

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 made it illegal for fugitive felons to collect SSI payments. This prohibition does not apply to the OASDI program. Under this law an individual is ineligible to receive SSI benefits during any month in which the individual is:

- fleeing to avoid prosecution for a crime which is a felony under the laws of the place from which the person flees;
- fleeing to avoid custody or confinement after conviction for a crime which is a felony under the laws of the place from which the person flees; or
- violating a condition of probation or parole imposed under Federal or State law.

SSA protects the integrity of the SSI program by stopping payments to fugitive felons and protects the public by providing information to law enforcement that assists in the apprehension of a fugitive fleeing from justice.

This Fugitive Felon Project utilizes a multi-faceted approach that requires extensive and cooperative efforts of many law enforcement agencies throughout the United States. SSA and our Office of the Inspector General are actively involved in this project by identifying and taking action against fugitive felons collecting SSI payments.

This project identifies individuals who are prohibited under the law from receiving SSI benefits by conducting computer matches with available sources of warrant information, which include the Federal Bureau of Investigation's (FBI) National Crime Information Center (NCIC) and the states. The NCIC is a major national repository for information on felons and other offenders. We also have signed agreements with U.S. Marshals Service and the FBI, giving us access to all federal warrants.

Unfortunately only about 30 percent of all outstanding warrants are reported to the NCIC since the reporting of such information is voluntary and selective. Eleven states report all of their warrants to the NCIC. These states are Connecticut, Maine, New Hampshire, Alabama, Florida, Georgia, North Carolina, Arkansas, New Mexico, Kansas, and Missouri. The remaining 39 states report some, but not all warrant information to the NCIC.

In a joint effort to develop comprehensive sources of warrant information, SSA and the IG are actively pursuing matching agreements with those states that only provide some of their warrants to the NCIC. SSA currently has signed matching agreements with Alaska, California, Colorado, Kentucky, Nebraska, Massachusetts, New Jersey, New York, Rhode Island, South

Carolina, Tennessee, and Washington to obtain the additional warrant information that is not reported to the NCIC. In addition, we have agreements with three major metropolitan police departments, New York City, Baltimore and Philadelphia.

Negotiating these individual state and local agreements is a major undertaking. We need to address state and local variations in records, incompatible formatting of data, privacy concerns, and the lack of state and local central reporting repositories. Our regional fugitive coordinators and field office staff are working to negotiate matching agreements with all state and local authorities. Every effort is being made to automate the matching operations necessary to identify SSI recipients that have outstanding warrants.

One of the difficulties with such matches is that law enforcement agencies frequently do not have accurate identifying information for fleeing felons. Felons often use aliases and the law enforcement agency may not have an accurate Social Security Number (SSN). Therefore, their correct identification may be difficult. Unlike prisoners, fugitive felons are not incarcerated and may not have been convicted of a crime. For these reasons our matching operations are carefully designed to determine that the person being sought by law enforcement is the same individual receiving SSI. In order to protect individuals from unwarranted invasions of their privacy resulting from collections and use of information about them, all of our data matches and exchanges are done pursuant to agreements that comply with Privacy Act requirements, and we take security measures to limit access to the data.

When we obtain warrant information from the NCIC or from any other source, these records are first matched against SSA's files to verify identity information, such as name, date of birth, and Social Security number. Once the records are verified then a second match is conducted against our SSI recipient files to determine which of the fugitives are receiving SSI benefits. The results of the second match are then forwarded to the IG for processing. The two-step matching process performed by SSA takes four to ten days, from the time the warrant information is obtained from a participating federal, state or local agency until the information is forwarded to the IG.

The IG must conduct thorough investigations of the warrant information matches to ensure that the fugitive felon warrants are valid and that the appropriate individuals are brought to justice. The IG works with the FBI Information Technology Center (ITC) to verify that the felony, probation or parole violation warrant is active. The ITC provides the address information about each SSI recipient to the appropriate law enforcement agency so that they can apprehend the individual. Over 22,000 SSI beneficiaries were identified during FY 1998 - 2000. Over 2,800 of these fugitives were apprehended.

After action by the appropriate law enforcement agency the IG refers their findings to SSA for appropriate action. SSA also provides feedback to the IG reflecting the actions taken and any overpayment that may have occurred.

Even though SSA is working to expand the number of matches through agreements with local authorities, much of the investigative process cannot

be automated. Verification of warrant information requires direct contact with the local law enforcement personnel who issued the warrant. If the felon is no longer in the jurisdiction of the originating law enforcement agency, then additional contacts must be made with law enforcement personnel in the new jurisdiction in order to facilitate the fugitive's apprehension.

SSA needs to be very careful when reviewing warrants to make sure they are accurate, up-to-date, and that it pertains to the correct person. To arrest or to suspend benefits of the wrong individual would have severe consequences.

SSA has gained experience identifying and suspending benefits as a result of our enforcement of prisoner suspension provisions, and we would like to discuss the experience briefly.

Prisoner Suspensions

Social Security benefits are not payable to certain persons incarcerated as a result of a conviction of a crime and certain other confined individuals (for example, those found not guilty by reason of insanity). SSI benefits are not payable to anyone confined to a public institution for any reason.

Beginning in 1994, SSA undertook several significant initiatives with State and local entities to identify prisoners who should not be receiving OASDI or SSI benefits. Changes in agency enforcement efforts have increased program savings under the prisoner suspension provisions.

Today, SSA maintains over 2,600 incentive payment agreements, which provide monthly reports from approximately 5,500 facilities. An additional 1,200 facilities report to us monthly under agreements that do not provide for incentive payments. These agreements, like those for the fugitive felon program, incorporate strong privacy protections. This represents 95 percent of correctional facilities, including the Federal Bureau of Prisons, all State prison systems, and most county and local jails. These reports cover 99 percent of the inmate population in the United States. With the support of these Federal, State, and local entities, SSA has made substantial progress in ensuring that incarcerations are timely and accurately reported and that benefits are suspended promptly. We continue to pursue the goal of having 100 percent of the prisoner data reported and continue to negotiate with the remaining correctional facilities.

SSA is able to share prisoner information with other agencies administering Federal or federally assisted cash, food, or medical assistance programs for purposes of determining eligibility. For example, SSA shares prisoner data with the Department of Veterans Affairs, the Department of Education, the District of Columbia and the fifty state agencies administering the food stamp program under the Department of Agriculture.

Deceased Beneficiaries

One of the issues in the IG report concerns payments made to deceased beneficiaries. SSA compiles and maintains a comprehensive database, the death master file (DMF), containing death information that includes reports from family members, funeral homes, all of the States and some territories,

the Department of Veterans Affairs, the Health Care Financing Administration, the postal authority, banking institutions, and other sources. SSA independently verifies reports from other government agencies before terminating benefits. SSA processes over 2 million death reports annually.

Timely reports of death help prevent overpayments, which may occur because a spouse or a representative payee negotiates a check after the individual has died or the benefit was electronically deposited into a joint or payee account.

An intercomponent workgroup has identified ways the Agency could improve its death reporting operation. These improvements will be implemented through system enhancements and when completed will strengthen the processes we use to terminate deceased beneficiaries.

Within the next two months we will pilot an Electronic Death Registration under an agreement with the State of New Jersey.

Workers' Compensation Offset

OIG reports have raised concerns about the administration of the workers' compensation (WC) provision. Since 1965, the Social Security Act has provided for the reduction of Social Security disability insurance benefits when the worker is also eligible for periodic or lump-sum WC payments from Federal, State, or local government programs. During the application process, SSA asks the worker whether he or she is or will be receiving any workers' compensation payments that would require offset. If appropriate,

offset is imposed and the worker is advised to report any changes to these payments.

Many different agencies administer WC payments and the records are often decentralized and are not always automated. In some States, the payments are administered at the State level; in other States, the payments could be made by many different private insurance carriers, or the employer could be self-insured. Because of the fragmented structure of WC programs, SSA relies primarily on beneficiaries to voluntarily report changes in WC status and payments. Payment errors occur when the beneficiary does not inform SSA of changes in the WC payments. To address this problem SSA has instituted a number of measures.

- In 1999, SSA began its review of WC cases in which offset was imposed before 1999--approximately 112,000 cases--as a 3-year project.

Presently, the project is on target, and one-half of the cases have been reviewed and reworked. These cases are difficult to work and typically take about 10 hours to process. To ensure accuracy, each case receives a second review. Over FY 2000-FY2001, SSA is expending approximately 285 workyears on this project, representing a significant resource commitment. We plan to conclude the project by September 2002.

- We have developed a computer matching agreement with the State of Texas. Texas sent SSA 699,000 records involving WC payment data from 1991-2000 and we are currently validating this data before matching it with our beneficiary rolls. Implementation is scheduled for

summer of 2001. Although few states have centralized records, we intend to use this agreement with Texas to help us in developing matching agreements with other States where records exist. In addition, we have an ongoing computer matching program with the Department of Labor (DOL) to identify disability beneficiaries who are receiving Federal WC payments administered by DOL.

- Beginning next month, we will implement a new procedure that requires processing centers to re-verify WC payments every 3 years. This is a significant improvement because it will enable us to periodically update with the beneficiary the WC information that is on our records.
- SSA has committed and continues to commit significant resources to improve the accuracy and timeliness of our processing of claims involving WC offset. Beginning this fall, improved automation will allow SSA field offices to be able to input post-entitlement WC changes. We have also provided and continue to provide specialized training to the employees of the program centers and field offices.

We recognize the importance of the IG findings regarding WC offset, and believe that SSA has demonstrated that we are working hard to improve our administration of the WC offset procedures. Through these actions, SSA is taking the necessary steps to correct the problems identified by the IG.

Student Monitoring

The final issue we wish to discuss is the process used to monitor school attendance by child beneficiaries who are over 18. As a result of SSA's own review and the IG recommendations, in March 2001 we began to implement a new process for monitoring school attendance.

We have established processes to:

- Obtain documentation from the student and certification from a school official of the students' continuing education plans *before* awarding benefits. Also, at that same time, the school official is being provided a form to be retained in the student's file. The school official is encouraged to notify SSA of any changes in the students' status (e.g., no longer a full-time student, drops out, marries).
- Contact the student directly (by phone or in person) when the certification of attendance from the school is initially returned to the field office (FO). At that time we explain to the student his/her reporting responsibilities and when entitlement to student benefits will end. The FO determines the correct termination date and inputs that information into our computer records; benefits for the student will end with the termination date unless they are previously terminated—e.g., because the student drops out of school.

Under the old process, we verified school attendance with the school at several points during the school year—which was very labor intensive and

did not result in significant improvements in payment accuracy. Under the new process, we will obtain verification of the student's statement of attendance from the school before we pay benefits *and* encourage the school to report any changes in the student's status. In the personal contact with the student, we stress their responsibility to report to us any changes in their school attendance.

Conclusion

SSA is making continued progress to improve our management of all Social Security programs. We are committed to our role as stewards of the trust funds. We value our partnership with the IG to further these efforts and look forward to working with this Committee to assure public confidence in our programs.

I will be happy to answer any questions that you may have.